

**Speech by Dr. Mathias Döpfner**

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*Translation of speech held in German. Check against  
delivery*

## **(Chart 2)**

Ladies and Gentlemen,

Sometimes it is more difficult to perform well in bad times than it is to perform better in good times. In 2008, the year of the financial crisis, our employees were at their best in bad times:

- Revenues +5.8 percent to 2,728.5 million euros
- Record EBITDA of 486.2 million euros
- Record consolidated net profit of 571.1 million euros
- Record dividend of 4.40 euros
- Magazines post record earnings
- BILD enjoys record result for sixth straight time
- WELT Group generates double-digit earnings and is profitable for the second time
- Seven online assets deliver over 20 percent operating margin
- Number of employees grows 3 percent against the trend

Those who read these figures may find themselves rubbing their eyes in disbelief. Is it possible that Axel Springer AG generates historic record results during a global financial crisis and a media crisis: at a time when competitors are issuing one profit warning after another, when advertising revenues are plummeting, when once-proud U.S. newspapers are going belly up, when some believe that the death-knell is tolling for the print media? Yes, it is. We are celebrating these results together with our employees and shareholders without being pretentious or even careless. When you take a closer look at our key performance indicators, you will understand why we are so proud. Let us begin with the most important facts:

## **(Chart 3)**

Our EBITDA rose from 470 million euros in the previous year to 486 million euros in the 2008 financial year. This is quite remarkable for various reasons.

1. Because the figure clearly exceeds our forecast for the entire year of 434 million euros or slightly more.

2. Because the fact that our earnings grew during the second half of a year characterized by a serious global economic crisis and an extremely negative market environment is very unusual and probably fairly unique on a global scale.

**(Chart 4)**

3. Because the EBITDA for the previous year contains 13 million euros from the Kirch insolvency and 23.1 million euros from the ProSiebenSat.1 dividend. When these onetime effects are deducted from the previous year's EBITDA, the result equates to a real increase in earnings of 46 million euros or 10.6 percent.

**(Chart 5)**

The same is true for our consolidated net income, which improved from a net loss of -288.4 million euros due to write-off charges for the previous year to a positive 571.1 million euros. This is also a historic record in absolute terms. Never in the history of our company have we earned so much money.

**(Chart 6)**

When adjusted for the sale proceeds and dividends from the ProSiebenSat.1 deal and other significant non-operating items, such as the effects of purchase price allocations, amortization of goodwill, revaluations of the H&F options, the income from the Kirch insolvency, and tax effects, the consolidated net profit improved from 234.6 million euros to 254.5 million euros. This is an increase of 8.5 percent, and it is also indicative of how strong our business is.

**(Chart 7)**

Here you see the individual adjustments to consolidated net income in 2007 and 2008. And when you take the ppa & amortization of goodwill and other non-recurring effects position into account, you see that the record consolidated net income was possible despite a very conservative depreciation policy. For example, we have written down our stake in Prinovis by 60 million euros.

**(Chart 8)**

And the 5.8 percent revenue growth achieved last year also reflects a positive and healthy trend that rarely occurs under such circumstances. The Group's revenues rose from 2,577.9 million euros in 2007 to 2,728.5 million euros in 2008, thanks in part to the effects of the company's investments in growth businesses, but also in part to the positive performance of the existing business. We enjoyed growth in all revenue categories. Circulation revenues rose 2.1 percent to 1.22 billion euros, advertising revenues by 4.6 percent to 1.25 billion euros. The other revenues improved from 194 to 265 million euros.

The first-time consolidation of our successful acquisitions also contributed to our growth in revenues. However Axel Springer also grew 1.2% organically in 2008. This is a strong, anticyclical achievement in times of declining media revenues. To sum things up, we enjoyed increases and records with regard to all key performance indicators, both adjusted and an unadjusted, with and without acquisitions.

**(Chart 9)**

This shows how our strategy worked out in a very difficult economic environment. Our objectives remain market leadership in our German-language core business, internationalization and digitization on the basis of our corporate values of creativity, entrepreneurship and integrity. In 2008 we were again able to transform these into profitable growth.

**(Chart 10)**

The success of our strategy also becomes clear when you look at our segments. Our stable core business, which is characterized by high margins, accounted for approximately 70 percent of our revenues. Our National Newspapers and Magazines saw revenues decline slightly in 2008 but remained highly profitable nonetheless. Our newspapers managed to hold on to their extraordinarily high EBITDA margin of 27.3 percent. The magazine EBITDA margin rose significantly from 12.6 for the previous year to 15.7 percent.

The growth segments Print International and Digital Media accounted for nearly 30 percent of our total revenues. This means that our portfolio consists of two-thirds highly profitable, stable core business and one-third high-investment, rapidly growing new business, which is improving its profitability.

Our investments in digitization are paying off – especially in light of the effects of the recession on the print advertising market. Revenues generated by the Digital Media segment jumped 82 percent to 378 million euros. International print media grew slightly despite the economic crisis. The EBITDA margins of both growth segments continued to improve.

**(Chart 11)**

We are already earning nearly 21 million euros in the Digital Media segment. This is a remarkable figure. And it's all that more remarkable when you take into account that it no longer includes the ProSiebenSat.1 dividend. If it were not for the twelve million euros in start-up costs and currency exchange rate losses from our stake in Dogan, our real operating earnings from digital activities would come to more than 30 million euros. And if you were to remove our continued, current investments in online launches in order to figure out just how much our digital activities are really generating today, the EBITDA for the Digital Media segment would be around 60 million euros. This equates to a margin of 15.7 percent. The closer you look, the better the figures get. Moreover, online business is not simply a nebulous future vision for Axel Springer. It has already become a lucrative reality.

**(Chart 12)**

I remember last year's roadshows quite well, during which investors repeatedly criticized our low debt. This would be an inefficient capital structure or, in today's language, an underleveraged balance sheet. We should finally increase our debt. But common sense told us: less debt is better than more debt. And we stuck with our low debt. Today it's worth its weight in gold. In 2008 the Group saw its net debt (excluding pension obligations) of 743.1 million euros decline even further to 369.5 million euros. This corresponds to a gearing of 0.8 x EBITDA, an extremely low level

for the industry. A credit line of 1.5 billion euros, secured through 2012, gives us added leeway. As a result, we are in the fortunate position of being financially crisis-proof and able to act.

**(Chart 13)**

The evidence is clear. Axel Springer AG gained significant economic strength during difficult economic times. In order to share this extraordinary success with our shareholders and uphold our fine tradition of paying high dividends, the Management and Supervisory Boards will propose a dividend of €4.40 per share at the Annual Shareholders' Meeting. This equates to a 10 percent increase over the previous year's dividend and an extraordinary high dividend yield. It is the highest dividend Axel Springer has ever paid.

**(Chart 14)**

And there is another development that is remarkably unusual. With our record result, we have either met or surpassed our capital market forecast for the seventh straight time despite the current slow economy. This means that for 28 straight quarters we have reported results that met or even exceeded our own ambitious expectations. What's more, we surpassed analyst expectations in addition to our own objectives. This is currently rare among our listed peers. Most listed media companies that have published their financial statements for the past year did not live up to analyst expectations. Our EBITDA was eight percent higher than the analyst consensus for 2008 at the end of the year. During the past year we were again able to adhere to our principle of delivering more than we promise.

**(Chart 15)**

But despite our reliability and record earnings, Axel Springer has been affected by the current stock market environment. The world's stock exchanges have been under pressure for months. During the last weeks the DAX fell below 4,000 points, the Dow Jones under 7,000 points. The media sector has since quite some time not been a favorite of investors in view of the economic risks and structural challenges facing our industry. We are aware of this and have to live with it. However investors take a close

look at the sector to see which stocks have potential and which do not. Axel Springer shares fell considerably in 2008. But it is still considered a top stock within our peer group. No comparable listed media company in our group has enjoyed more stable valuation than we have. All other media companies, and that includes such champions as Rupert Murdoch's News Corp., Disney, Time Warner or top-yield producers such as Johnston Press and Trinity Mirror or innovation leaders such as Schibsted, have declined more in value over the past twelve months than we have.

**(Chart 16)**

Significant revenue growth, a reduction of our already low level of debt, record EBITDA, record consolidated net income, record dividend – how is this possible in this economic environment? One thing is certain – we did not accomplish this with a secret formula but rather through hard work. I see four fundamental success factors that set us apart from our competitors. I would like to describe them to you here.

First: We practice disciplined cost management.

Second: We are less dependent upon the advertising market.

Third: We are profiting from our strong brands in this crisis.

And finally fourth: We began digitizing our products at the right time and have pursued these activities with resolve.

I would like here to elaborate on these four factors using some facts and examples.

**(Chart 17)**

In 2008 we continued to focus consequently on costs. And we will not let up despite our excellent results.

We quickly adjust cost structures to market conditions. When the economy began to turn sour last year, we took quick action. This had a direct effect on the EBITDA in the print business. Cost measures contributed 40 million euros here, 25 million euros in the fourth quarter of 2008 alone.

**(Chart 18)**

The results of continual, disciplined cost management are also impressive when you look at the long-term comparison. Our newspaper production costs declined by nearly

a third between 2000 and 2008. Personnel costs at the printing plants fell almost as much. We cut the number of employees performing administrative tasks by 25 percent. But personal costs are only part of the picture. Group IT costs were cut by more than 50 percent between 2000 and 2008. And all of this was accomplished against the backdrop of modernization and quality improvement efforts. We had 318 more employees at the end of 2008 for a three percent increase over the previous year. This is also a welcome anticyclical development at a time when the number of jobs in general is declining.

**(Chart 19)**

Let us look at the second success factor: our comparatively low dependency on the advertising market. American, English and German newspaper publishers generate between 54 to 80 percent of total revenues through advertising. But our advertising only accounts for around 46 percent of total revenues. Classified advertising in particular is of comparatively less significance. Classified ads account for around 56 percent of our competitors' advertising revenues. These companies are hit especially hard when revenues migrate to the Internet or decline by up to 50 percent as they have in the recent past. Classified ads account for only 18 percent of advertising revenues and eight percent of total revenues at Axel Springer AG. This means that we are affected less by economic trends in the advertising market. Much more important: the fact that we are less dependent on classified advertising revenues means that we have much more to gain than we have to lose through the digitization of this business models. This is precisely why we put so much into our online classified advertising platforms.

**(Chart 20)**

Take the classic market for real estate advertising as an example. WELT, WELT am SONNTAG, HAMBURGER ABENDBLATT, BERLINER MORGENPOST and B.Z. have, of course, seen their real estate ad revenues decline in recent years – as is illustrated by the red column.

At the same time we established a good position early on in the online market for real estate classified advertising with immonet.de and generated growth through targeted

measures. The result was positive. Immonet is growing dynamically and more than compensated for the decline in print real estate advertising during the past two years. Real estate advertising revenues rose by seven percent in 2008. We have thus gained more through online business than we lost in the print segment.

**(Chart 21)**

Third, we are profiting from the position enjoyed by our strong brands in this slow economic environment. The high-reach BILD family is emerging as a winner of the crisis in a time when market budgets are being trimmed. Advertisers want to place their ads where the impact on sales is the greatest. One example: During the fourth quarter of 2008 we profited from an increase in car advertising even though the automobile industry was especially hard hit by the crisis.

BILD is and will remain the largest and the only multimedia mass medium in Germany. The fact that BILD has 46 percent more readers than the next largest newspaper in Europe, namely the British “Sun”, speaks for itself. With some twelve million readers BILD reaches more people than the most popular television program – and this day in and day out. It is also remarkable that the reach of BILD has grown steadily over the last 20 years despite declining circulation. And the readership has become younger.

At the same time BILD has established itself as the first multimedia mass medium. BILD.de is the largest German news portal with approximately one billion page impressions. Over 420,000 customers have taken advantage of the mobile communication features BILDmobil in just 17 months. Nearly 17.6 million page impressions, one-third of them from third-party mobile telecommunication providers, make BILDmobil the most widely used editorial mobile portal.

**(Chart 22)**

The results generated by BILD Group in 2008 underscore the earnings power of the strong brands of Axel Springer. BILD Group enjoyed record earnings for the sixth straight year. A contributing factor here was the successfully implemented increase in the copy price of BILD. We were thus able to become even more profitable in a market characterized by declining circulation.

**(Chart 23)**

In our last annual report we were able to report that WELT Group was able to turn a profit for the first time in its history. And in 2008 the group was able to generate even better results. The same group that produced double-digit losses four years ago generated a double-digit profit in 2008 despite the financial crisis. And it did so despite investments in WELT KOMPAKT and its online activities. As you can see by the chart, the group's turnaround was accomplished through more than just cost reduction. It was able to increase circulation revenues against the trend while conducting extremely successful advertising marketing.

How did this happen? With three steps. First, over ten years ago, a publicistic offensive was launched. We invested in good journalism in order to make DIE WELT the most modern German premium newspaper. This has earned us respect. In a second step we merged both the organizations and editorial processes of WELT and BERLINER MORGENPOST, a move that reduced costs significantly. At the time the sector as a whole poked fun at us for violating a taboo. It was doomed to fail, they said. But today major German publishing houses from Gruner+Jahr to WAZ and Madsack are doing exactly the same – seven years later. In a third step we launched WELT KOMPAKT while actively and aggressively interlinking and strengthening the digital sales channels of WELT Group. Today WELT ONLINE and WELT MOBIL have become the driving forces of growth for the entire group.

**(Chart 24)**

The reach also shows that WELT Group took advantage of opportunities during the crisis year of 2008. WELT and WELT KOMPAKT, WELT am SONNTAG and WELT ONLINE have become a multimedia brand family.

WELT ONLINE saw page impressions jump by over 120 percent, it surpassed Stern.de and rose to number three behind BILD.de and Spiegel Online.

But developments in the print segment are at least as impressive. With over two million contacts WELT and WELT am SONNTAG were able to pull ahead of their direct competitors in the German premium newspaper segment for the first time. Also encouraging is the fact that they improved significantly while the reach of their

competitors declined. Today DIE WELT is the most modern, the most multimedia and the fastest growing premium newspaper group in Germany.

**(Chart 25)**

Axel Springer again increased its reach last year in all media categories. Total reach grew by 4.1 percent in 2008 to 81.1 million gross contacts. Also contributing here were our strong regional newspapers: HAMBURGER ABENDBLATT, BERLINER MORGENPOST and especially B.Z., which saw its reach jump by nine percent, thereby making it the most widely read daily newspaper in the German capital. But overall our newspapers experienced a slight decline in reach of 0.9 percent. Magazines gained 2.0 percent with 35.9 million gross contacts. Again, online media were the driving forces behind the growth. Their reach rose 16.9 percent to 19.3 million gross contacts.

Now we come to the fourth success factor: the steadfast transformation of our business into digital sales channels. We sought to take advantage of online opportunities at a very early stage and then proceeded to invest in these opportunities resolutely and without fear of cannibalizing our existing businesses. Our motto has always been that it is better to cannibalize our own business than to let others do it for us. To be successful in this endeavor, the complete integration of print and online processes, from content production to the now centralized cross-media marketing, is vitally important. This philosophy is paying dividends. Seven of our profitable online businesses achieved EBITDA margins of more than 20% in 2008. And the two highest earnings margins are now being generated by online activities. Again: Online business is thus not simply an abstract future vision. It has already become a lucrative reality.

**(Chart 26)**

Digitization has been the focal point of our strategy for several years.

A look at 2008 shows how far we have come through our dedicated efforts:

– In January 2008 we acquired the remaining shares of BILD.de from Deutsche Telekom. We expanded the video selection and further developed the online and mobile portals.

- We more closely integrated the print and online activities of HAMBURGER ABENDBLATT. And we did the same in Berlin: the online portal of BERLINER MORGENPOST was greatly expanded. At the beginning of 2009 we also added new features to the online activities of B.Z. and gave the portal a facelift.
- Axel Springer Digital TV Guide and MY PERSONAL TV DIGITAL developed a new software product, which can be installed on various devices to allow users to set up personalized TV channels.
- goFeminin.de, the German-language website of auFeminin.com, acquired the health portal Onmeda in 2008. Onmeda is one of Germany's leading independent portals for premium health information.
- With transfermarkt.de, the leading football community in the German-language Internet, we strengthened our online presence in the sports segment.
- In Switzerland we acquired the leisure portals usgang.ch and partyguide.ch and merged them along with students.ch into the Amiado Group. All portals developed quite positively during the past year.
- In Poland we launched the news and opinion portal redakcja.pl and student portal students.pl.

These are only a few of the activities we carried out in conjunction with our digital offensive last year. From 2006 to 2008 Axel Springer invested in a total of 58 digital projects.

Allow me to present a few examples of the success of our digitization strategy:

**(Chart 27)**

Zanox is one of the leading providers of performance-based marketing in the Internet. This means that the customers advertise but pay only when these efforts actually lead to the sale of a product. Zanox is thus the ideal business model for advertising customers during times of crisis. Because Zanox is affordable even when marketing budgets have been drastically reduced. Money changes hands only after a successful sale. It could be called risk-free advertising. If it's effective, you pay. If it's not effective, you don't pay. Sometimes one gets the impression that Zanox was invented just for economic crises. In any case we do see a certain positive anticyclical effect

here. Because Zanox managed to turn in a fantastic performance in an otherwise difficult January and is looking forward to a further increase in revenues.

With its successful and innovative business model, the company grew faster in 2008 than its main competitor did. In the 2008 financial year Zanox enjoyed an increase in revenues of 23 percent and a 48-percent jump in EBITDA. In comparison Zanox's main competitor, TradeDoubler saw its EBITDA fall by 14 percent.

Following the restructuring of the ownership structure, we plan to place even more emphasis on the growth of Zanox. We have the entrepreneurial lead and hold a 52.5-percent stake in Zanox. Our partner PubliGroupe receives minority and participation rights as a compensation.

### **(Chart 28)**

In 2007 we acquired a majority stake in Europe's leading online women's portal auFeminin. Since then we have expanded our stake to over 80 percent. auFeminin is the European online women's portal and market leader in seven countries: France, Germany, Italy, Spain, Belgium, Canada and Switzerland. The portal reaches over 22.5 million unique users.

In 2008 auFeminin enjoyed a 10-percent increase in revenues to some 25 million euros. When we made the decision to acquire the company as the market leader in France, we had our eye primarily on expanding the international activities of the portal. Axel Springer wanted to use its own platform to greatly accelerate international growth.

And with auFeminin we succeeded in doing so. With a 74-percent increase in revenues last year the company grew significantly faster internationally than it did in the home market of France. The revenues of SMART AdServer, an important technology product of auFeminin, also profited from our support with a 43-percent increase. The EBIT of auFeminin declined as expected by 27 percent to 9.5 million euros as the result of significant investments. Nonetheless, auFeminin remains highly profitable with an EBIT margin in 2008 of 38.5 percent.

**(Chart 29)**

Another successful example of our digitization offensive is Idealo. In recent years Idealo has systematically established itself as one of the leading product and price comparison portals in Germany. The company is growing strongly and is profitable as well. In 2008 revenues rose by 36 percent, the EBIT even more by 40 percent. The business success of the portal is based on the attractiveness of its platform for both buyers and sellers. In 2008 Idealo expanded its scope and added new product categories. The volume of the listed items rose by 59 percent to 7.7 million, the number of sellers grew by 58 percent to more than 26,000. In light of its success in Germany, Idealo is looking to grow internationally with portals in Great Britain, France and Austria. Idealo has also launched price-comparison portals for travel products in Spain, Italy and the Netherlands.

**(Chart 30)**

The expansion of our presence in the employment market is another example of how it is possible to win market share on traditional print markets by expanding online activities. For several years we have held a stake in StepStone.de, Germany's number two career portal. In 2008 the number of registered users of StepStone.de continued to grow. Numerous major customers signed on. In the 2008 "Website of the Year" contest 1.5 million Internet users selected StepStone as Germany's most popular career website.

At the end of the year we made another step and acquired a 33.3-percent stake in StepStone ASA headquartered in Oslo. This stake gives us access to the rapidly growing European online market for employment ads and talent management software. Last year StepStone grew strongly in both segments. The company saw total revenues rise by 25 percent and the EBITDA by 26 percent.

**(Chart 31)**

We are glad that 2008 was so successfully from the financial point of view. Our good finance management team contributed significantly here. For the last seven years Steffen Naumann and his team have done an outstanding job in managing our financial affairs. And it is times like these that show how important this is for ensuring the

operational ability of a company. As was already announced yesterday, there will be a change in the Management Board. Following the shareholders' meeting on May 1, 2009, Steffen Naumann will turn over his duties to his successor Lothar Lanz, whom we know very well as former chief financial officer of ProSiebenSat.1 Media AG. It would be too early to thank Steffen Naumann today for his efforts, because he will remain with us for some more weeks. We are looking forward to working with him until the end of April.

In celebrating the success of Axel Springer we are by no means being complacent or believe that our company will emerge from the financial and structural crises unscathed. In 2009 we must learn to cope with an extremely slow advertising market and the effects of recessionary tendencies. It would be irresponsible to release a precise forecast in this extremely volatile environment. We will, of course, be unable to again generate record results as we did this past year. Our task will now be to further expand our advantage over our competitors and to invest in the strength of our brands and in digitization. We want to create value in the mid and long terms. And we want to offer newspapers, magazines and websites after the crisis which continue to delight our readers with journalistic excellence.

This is something that we must not lose sight of, because I consider it to be the decisive factor. Our business is based on content and good journalism. This matter of course cannot be stressed enough. We live from tough researchers, from silver-penned writers, from provocative commentators, and from passionate storytellers. Their craft carries more weight on paper today than many might think in an era when prophecies of pending doom dominate the news. I would venture an anticyclical prophecy: the world is not coming to an end. And not the newspaper, either. Much more important, these tough researchers, silver-penned writers, provocative commentators, and passionate storytellers are still needed. Journalists can also look forward to a splendid future on the Internet – provided they do not commit suicide out of fear from dying. A good story is a good story is a good story. On paper and on the Web. We are storytellers. On paper and on the Web. And we believe that the content is more important than the sales channel. That it is the spirit that determines the nature of matter – and not the other way around.

**(Chart 32)**

We are therefore convinced that we will be able to gain market share as the result of our decisive, content-driven corporate culture and because we find ourselves in a fortunate financial situation. And we are convinced that we will emerge from this crisis strategically stronger.

There are three reasons why we are so firmly convinced of all of this:

1. We are entering the crisis in an extremely strong economic position. We have substantial cash holdings, low debt, a very advantageous line of credit, and practice disciplined cost management.
2. As market leader, these advantages will allow us to further bolster the relative power of our strong brands through cross-media activities, especially with regard to digital distribution channels.
3. Despite the crisis we are investing a sum in the triple-digit millions in print and online activities. These advantages also make it possible for us to capitalize on unique opportunities, namely to acquire attractive assets at very favorable prices. This will expedite the development of our company and help us achieve our objective of becoming a leading European integrated multimedia group.

I assume that opportunities for anticyclical investments will arise in the coming months. We will examine these very closely. We are not in a hurry. We are not looking for the big bang or transforming acquisitions but rather for a number of reasonable successful steps. When the Internet bubble burst on capital markets in 2001, Axel Springer was not in a position to take advantage of it. The company was losing money, and no bank wanted to lend us money. Today things are different. We are pursuing a clear strategy, we are financially very healthy, and we have the money needed to capitalize on opportunities in the market.

**(Chart 33)**

Ladies and gentlemen,

In closing, allow me to again summarize the most important points:

Our revenues in 2008 grew by 5.8 percent to roughly 2.7 billion euros.

We have achieved a record EBITDA of 486.2 million euros and a record consolidated net income of 571.1 million euro.

We plan to pay a record dividend of 4.40 euros per share.

BILD posted the sixth straight record result, and the profitability of WELT Group continued to rise.

Our EBITDA from foreign operations doubled.

Today our digital business is already profitable and already accounts for 14 percent of total Group revenues.

In a welcome anticyclical development, the number of Axel Springer employees increased 3 percent last year.

In short, 2008 was the most successful year in company history. This is the best basis from which to take advantage of opportunities that occur in this difficult market environment and to emerge from the crises considerably stronger.

**(Chart 34)**

In concrete terms this means we should be generating at least half of our revenues and profit through our digital activities within ten years at the latest. And we want to accomplish this in an aggressive but down-to-earth manner and with a sense of proportion.

Thank you.